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TO RUEHC/SECSTATE WASHDC 3146
INFO RUEHAC/AMEMBASSY ASUNCION 6691
RUEHBO/AMEMBASSY BOGOTA 4016
RUEHBR/AMEMBASSY BRASILIA 7905
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RUEHSG/AMEMBASSY SANTIAGO 9611
RUEHKO/AMEMBASSY TOKYO 0294
RUEHUB/USINT HAVANA 0253
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RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
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STATE FOR WHA/AND LPETRONI
COMMERCE FOR JANGLIN
TREASURY FOR SGOOCH

E.O. 12958: N/A
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SUBJECT: NEW MINING TAX PROPOSAL ON THE TABLE

REF: LA PAZ 137

¶1. (SBU) According to U.S. mining company executives, a new tax proposal is on the table. Coeur d'Alene Vice President Jim Duff told Econoff April 3 that GOB officials are considering maintaining the existing complementary mining tax while eliminating its creditability against income taxes; the latter would occur only when mineral prices rise above certain established levels (for silver, the rate could potentially be set at \$6/ounce). Duff added that the GOB is also considering the introduction of a 10 percent special income tax, in addition to existing income taxes of 25 percent; for metallic elements like silver, the special tax rate could potentially be just 8 percent.

¶2. (SBU) Duff declared the new proposal "very encouraging," largely because it leaves unchanged key components of the industry's existing tax structure, which companies generally support. Duff added that Minister of the Presidency Juan Ramon Quintana and other GOB officials reiterated promises to consult with mining companies and other stakeholders before introducing significant tax changes. Apex Silver executives told the DCM April 10 that they had received similar assurances; they noted, however, that the GOB does not always honor its promises.

¶3. (SBU) Comment: If the GOB is indeed considering a proposal of this sort, it marks a substantial departure from earlier calls for tough across-the-board tax hikes (reftel). Company executives expressed satisfaction with the GOB's more accommodating stance but noted that final resolution could be weeks or months away; in the meantime, they have other concerns, including the proposed elimination of exporters' ability to collect refunds for value-added taxes and import

duties. The GOB's attitude may have shifted slightly, but for mining companies, the investment climate remains as uncertain as ever. End comment.

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